

ECONOMICS AND TRADE ALERT SERVICE 1/2005

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■ 2005 INDEX OF ECONOMIC FREEDOM.

Marc A. Miles, Edwin Feulner and Mary Anastasia O'Grady, editors.

Heritage Foundation; Wall Street Journal. January 2005.

This 11th edition of the Index documents the correlation between freedom and prosperity. Countries that improve their scores in the 10 categories measured—trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation and informal (or black) market activity—tend to see their standards of living and per capita incomes rise. Data gathered for the 2005 Index show a net increase in global economic freedom. Of the 155 countries analyzed, 86 scored better this year than last year and 12 had unchanged scores. The scores of 57 countries were worse than last year. Overall, 17 countries are classified as having "free" economies, 56 as "mostly free," 70 as "mostly unfree" and 12 as "repressed." Countries ranked as "the most free" are: Hong Kong (1st); Singapore (2nd); Luxembourg (3rd); Estonia (4th); Ireland (5th); New Zealand (5th); United Kingdom (7th); Denmark (8th); Iceland (8th); Australia (10th). Those countries that ranked as "the least free" are: Venezuela (146th); Uzbekistan (147th); Iran (148th); Cuba (149th); Laos (150th); Turkmenistan (151st); Zimbabwe (151st); Libya (153rd); Burma (154th); North Korea (155th).

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http://www.heritage.org/research/features/index/downloads.cfm

[Table of Contents page, sections in both pdf and html formats, various pagings] Executive Summary:

http://www.heritage.org/research/features/index/chapters/Executive Summary.pdf [pdf format, 18 pages]

WORLD EMPLOYMENT REPORT 2004-2005. International Labor Organization (ILO). Web-posted December 7, 2004.

According to this latest annual report from the International Labor Organization (ILO), the 185.9 million people in the world who were unemployed in 2003 represent the "tip of the iceberg" of the decent work deficit, since more than seven times that number of people are employed but still live in poverty. There are now 1.4 billion people -- half the world's labor force -- trapped in grinding poverty, unable to earn enough to lift themselves and their families above the US\$2 a day poverty line. The report also says this figure could be reduced if governments developed more policies that aim to improve labor productivity and create jobs. Focusing economic policies on creating decent and productive employment opportunities is vital for reducing global poverty as called for in the Millennium Development Goals (MDGs). The report argues that the benefits of productivity gains start at the enterprise level, with lower costs of production and increased profits and competitiveness, and can continue through to benefit workers in the form of higher earnings and reduced working time. Ultimately these benefits impact the macro-economy with lower prices, increased consumption and increased employment. However, the authors of the report acknowledge that reality can be more complex, with major shifts in employment and earnings hidden behind average figures. Productivity gains can often lead to the downsizing of some sectors, with employment increases coming elsewhere. To deal with this challenge, "institutions should provide workers with security and training to better prepare them for the changing labour market."

Full Report:

http://www.ilo.org/public/english/employment/strat/wer2004.htm [English-language, Table of Contents page, all sections in pdf format, various pagings, 250 pages in total] Preface and Overview:

http://www.ilo.org/public/english/employment/strat/download/prskitsp.pdf [Spanish-language, pdf format, 28 pages]

■ INTELLECTUAL PROPERTY AND ECONOMIC DEVELOPMENT: LESSONS FROM RECENT ECONOMIC RESEARCH.

Carsten Fink and Keith E. Maskus, editors. World Bank and Oxford University Press. Web-posted January 11, 2005.

The editors of this volume initially set out to answer what they thought was a simple enough question: what are the international economic implications of the intellectual property rules mandated by the WTO's Agreement on Trade Related Intellectual Property Rights (TRIPS)? The results of the individual research reports in this compilation indicate there is no single "one-size-fits-all" answer. Fink and Maskus argue that international trade agreements must now specifically consider each developing

country's capacity to innovate, its technological requirements, its institutional capabilities, and the general need to promote poor people's access to pharmaceutical products. The chapters in the volume basically follow this sequence: the studies first look at the evidence regarding links between intellectual property and trade, foreign direct investment (FDI), and international licensing practices; then follow reports that consider how intellectual property exhaustion rules and parallel importation affect prices and welfare, noting important policy conclusions; finally, there are discussions about the role of intellectual property rights (IPRs) in affecting market structure and innovation in developing countries.

http://www.worldbank.org/research/IntellProp temp.pdf [pdf format, 360 pages]

POOR PEOPLE'S KNOWLEDGE: PROMOTING INTELLECTUAL PROPERTY IN DEVELOPING COUNTRIES

J. Michael Finger and Philip Schuler, editors. World Bank and Oxford University Press.

Web-posted January 11, 2005.

Since the agreements reached at the Uruguay Round came into effect in 1995, the World Trade Organization (WTO) Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) has more or less defined the discussion of intellectual property (IP) and development. This agreement, as the editors note, is about knowledge that exists in developed countries, about developing countries' access to that knowledge, and particularly about developing countries paying for that access. This volume is about knowledge that exists or might be created in developing countries. The contributions in this compilation cover a wide range of issues, as the titles of the chapters indicate:

- *Kuyujani Originario: The Yekuana Road to the Overall Protection of Their Rights as a People [in the Amazon and Orinoco Basins regions];
- * Handmade in India: Traditional Craft Skills in a Changing World;
- * Enhancing Intellectual Property Exports through Fair Trade;
- * The Africa Music Project;
- * Preventing Counterfeit Craft Designs:
- * Bio-prospecting Agreements and Benefit Sharing with Local Communities;
- * Bio-piracy and Commercialization of Ethnobotanical Knowledge:
- * Prevention of Misappropriation of Intangible Cultural Heritage through Intellectual Property Laws;
- * Making Intellectual Property Laws Work for Traditional Knowledge.

 http://www.worldbank.org/research/Poor Peoples Knowledge.pdf [pdf format, 263 pages]

■ E-COMMERCE AND DEVELOPMENT REPORT 2004.
United Nations Conference on Trade and Development (UNCTAD).
December 15, 2004.

This report is intended to provide policy-makers and practitioners with information and analysis to better assess the implications of the growing role of information and communications technologies (ICTs) in economic development. These technologies have considerable potential to promote development and economic growth. They can foster innovation and improve productivity, reduce transaction costs and make available rich stores of global knowledge. In developing countries, especially in small and medium-sized enterprises (SMEs), the use of ICTs can bring impressive gains in employment, gender equality and standards of living. The report starts with a review of recent trends and developments in the area of ICT, e-commerce and economic development, including some aspects of ongoing international discussions on matters such as Internet governance. It also identifies areas where the application of ICT can have an impact on the performance of developing countries' enterprises and economies. The report focuses on use of ICT by the SMEs of developing countries and policies and strategies for the development of a national ICT sector. Specific discussions on ecommerce and ICT in developing countries focus on selected topics such as the use of digital and Internet technologies in the creative industries, in particular in the music industry, and their application to higher online learning. The report also looks at government e-commerce applications in e-procurement. Finally, the report looks at the legal issues and challenges of data privacy and its role as a trust-building mechanism for information society development.

Full Report:

http://www.unctad.org/en/docs/ecdr2004_en.pdf [English-language, pdf format, 244 pages]

Overview:

http://www.unctad.org/en/docs/ecdr2004overview_en.pdf [English-language, pdf format, 13 pages]

http://www.unctad.org/sp/docs/ecdr2004overview_sp.pdf [Spanish-language, pdf

format, 40 pages]

ANTI-MONEY LAUNDERING PROGRAM REQUIREMENTS FOR MONEY SERVICES BUSINESSES WITH RESPECT TO FOREIGN AGENTS OR FOREIGN COUNTERPARTIES. INTERPRETIVE RELEASE 2004-1.

United States Department of Treasury. Financial Crimes Enforcement Network (FinCEN).

December 8, 2004.

Since April 2002, Money Services Businesses have been required to establish antimoney laundering programs to guard against money laundering and terrorist financing. Today's Guidance specifically requires that, to the extent a Money Services Business (MSB) uses relationships with foreign agents and counterparties to facilitate the movement of funds into or out of the United States, the Money Services Business' antimoney laundering program must reasonably address the risks of money laundering and the financing of terrorism posed those relationships with foreign agents or foreign counterparties. The Guidance applies only to Money Services Businesses required to register with FinCEN, as these are the entities most likely to use foreign agents or foreign counterparties in their operations. The Guidance requires that a Money Services Business' anti-money laundering program be capable of detecting the abuse of products and services offered through foreign agents and counterparties by establishing procedures for: (1) conducting due diligence on foreign agents and counterparties; (2) risk-based monitoring of foreign agents and counterparties; and (3) taking corrective action or terminating relationships, as appropriate.

http://www.fincen.gov/msbagentadvisory.pdf [pdf format, 12 pages]

U.S. ECONOMY

ECONOMIC REPORT OF THE PRESIDENT TRANSMITTED TO THE CONGRESS FEBRUARY 2005 TOGETHER WITH THE ANNUAL REPORT OF THE COUNCIL OF ECONOMIC ADVISERS. [ECONOMIC REPORT OF THE PRESIDENT, 2005.] Executive Office of the President; Council of Economic Advisers. February 17, 2005.

The Economic Report of the President is an annual report written by the chairman of the President's Council of Economic Advisors. Using text and extensive data appendices, it provides an extensive overview of the nation's economic progress. The Economic Report of the President is transmitted to Congress no later than ten days after the submission of the Budget of the United States Government. The report includes the following chapters:

- * The Year in Review and the Years Ahead.
- * Expansions Past and Present.
- * Options for Tax Reform.
- * Immigration.
- * Expanding Individual Choice and Control.
- * Innovation and the Information Economy.
- * The Global HIV/AIDS Epidemic.
- * Modern International Trade.
- * Report to the President on the Activities of the Council of Economic Advisers During 2004.

http://www.gpoaccess.gov/eop/2005/2005_erp.pdf [pdf format, 355 pages]

MONETARY POLICY REPORT TO THE CONGRESS. Board of Governors of the Federal Reserve System. February 16, 2005.

The Chairman of the Federal Reserve Board foresees a boost in demand for U.S. exports and economic growth in the U.S. that "will likely be sufficient to generate notable increases in employment." Furthermore, says Board Chairman Alan Greenspan, "The fundamental factors underlying the continued strength of the economy last year should carry forward into 2005 and 2006, promoting both healthy expansion of activity and low inflation."

http://www.federalreserve.gov/boarddocs/hh/2005/february/fullreport.pdf [pdf format, 29 pages]

GENERAL EXPLANATIONS OF THE ADMINISTRATION'S FISCAL YEAR 2006 REVENUE PROPOSALS [BLUE BOOK].

United States Department of the Treasury. February 7, 2005.

The Blue Book summarizes the revenue proposals in the President's Fiscal Year 2006 Budget and explains the rationales for them. The President's budget proposals include making permanent the tax cuts enacted in 2001 and 2003, which President Bush views as essential for promoting economic growth and higher levels of income in the future. The other proposals, also intended to strengthen the American economy, affect a wide range of areas including encouraging saving, investing in health care, assisting distressed areas, providing disaster relief, providing incentives for charitable giving, strengthening education, encouraging telecommuting, increasing housing opportunities, protecting the environment, and increasing energy production and promoting energy conservation. Additionally included are proposals to strengthen the employer based pension system, close loopholes and improve tax compliance, improve tax administration as well as proposals related to highway reauthorization and proposals to extend expiring tax provisions. The report also discusses the Advisory Panel on Federal Tax Reform, appointed by the President on January 7, 2005.

http://www.treas.gov/offices/tax-policy/library/bluebk05.pdf [pdf format, 159 pages]

■ BUDGET OF THE UNITED STATES GOVERNMENT: FISCAL YEAR 2006. Executive Office of the President. Office of Management and Budget (OMB). February 2, 2005.

This is the most recent budget proposal put forward by President Bush's administration. It contains the Budget Message of the President, information on the President's budget and management priorities, and budget overviews organized by agency, including assessments of their performance.

The Appendix contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the

funds needed, and proposed general provisions applicable to the appropriations of entire agencies or group of agencies.

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<u>http://www.gpoaccess.gov/usbudget/fy06/browse.html</u> [sections in pdf format, various pagings]

Full Report:

http://www.gpoaccess.gov/usbudget/fy06/pdf/budget/budget.zip [zipped format, unzipped files in pdf format, 13.6 MB]

THE ECONOMICS OF THE FEDERAL BUDGET DEFICIT.

Brian W. Cashell.

Library of Congress. Congressional Research Service. Updated January 28, 2005.

In FY1998, federal budget receipts exceeded outlays for the first time since 1969. Those surpluses continued through FY2001. At one time, those surpluses had been projected to continue, but conditions have since changed. The economy went into recession in 2001, and a stimulus package was enacted. Since then, the budget has been in deficit. The actual unified budget deficit for FY2004 was \$412.1 billion. In January 2005, the Congressional Budget Office projected that there would be a budget deficit of \$368 billion in FY2005, and a deficit of \$295 billion in FY2006. Even with a budget deficit, the outstanding federal debt may still fall relative to GDP, but that depends on the size of the deficit, and of the interest payment on the outstanding debt. A rising debt-to-GDP ratio eventually poses the risk of accelerating inflation. In the long run, the relationship between the growth rate of the federal debt and the overall rate of economic growth is critical to financial stability. Perpetual growth in the debt in excess of the rate of economic growth is an inherently unstable situation. It is likely that investors would become unwilling to buy federal debt issues long before all of GDP was accounted for by the interest payment on the federal debt, because of growing doubts about the government's ability to raise sufficient revenue to pay the interest on that debt. Whether it is better to have a budget surplus or a deficit, the budget has clear-cut consequences for the economy. In the short run, whether the budget is in surplus makes little difference to economic performance. In the short run, it is changes in the surplus or deficit that can affect the rate of economic growth. A reduction in the deficit would tend to be contractionary, while an increase in the deficit would tend to be stimulative. Those effects, however, are likely to be short lived. In the long run, a shift from a budget surplus to a deficit represents a reduction to national saving. Less saving means a shift from future to present consumption. Consuming more now means less investment now. a lower level of output of goods and services in the future, and thus less to consume in the future than otherwise would have been the case. To the extent that investment is financed by importing capital from abroad, some of that higher output will be paid to

http://www.fas.org/sgp/crs/RL31235.pdf [pdf format, 15 pages]

PERFORMANCE BUDGETING: EFFORTS TO RESTRUCTURE BUDGETS TO BETTER ALIGN RESOURCES WITH PERFORMANCE United States Government Accountability Office. Staff Study February 2005

Budget restructuring—changes to the congressional budget justifications and in some cases appropriations accounts to better align budget resources with programs and performance—has the potential to help reframe budget choices and is one tool among many that can advance results-oriented management. The administration has pursued budget restructuring, requiring agencies to submit a "performance budget" beginning with fiscal year 2005. Agencies took a variety of approaches, and these different approaches have different implications for agency management and congressional oversight. The budget structure reflects fundamental choices about how resource allocation choices are framed and the types of controls and incentives considered most important. As such, budget restructuring involves significant tradeoffs between the type of information provided and accountability frameworks used, and has implications for the balance between managerial flexibility and congressional control. Accordingly, this work revealed differing views on the potential benefits and shortcomings of budget restructuring. OMB and agency officials credited budget restructuring with supporting more results-oriented management by increasing attention to strategic planning, performance, and results, providing more complete information on the budget resources associated with performance, and in some cases, enhancing agencies' flexibility and incentives to make tradeoffs necessary to increase efficiency and effectiveness. Highlights

http://www.gao.gov/highlights/d05117sphigh.pdf [pdf format, 1 page] Full report

http://www.gao.gov/new.items/d05117sp.pdf [pdf format, 193 pages]

TODAY'S ROADS WITH TOMORROW'S DOLLARS: USING GARVEE BONDS TO FINANCE TRANSPORTATION PROJECTS
Robert Puentes and David Warren
The Brookings Institution. Metropolitan Policy Program
March 2005

"In an environment of fiscal austerity and rising mobility needs, states nationwide are struggling to find the means to pay for transportation projects. Grant Anticipation Revenue Vehicle (GARVEE) bonds provide an increasingly popular method of financing highway and transit infrastructure. Pledged against future federal transportation grants, GARVEEs themselves normally don't require public votes nor increased gas taxes. However, project savings through accelerated planning and construction should remain the primary consideration for using GARVEEs rather than political expedience." http://www.brookings.edu/metro/pubs/20050322_garvee.pdf [pdf format, 24 pages]

INNOVATE AMERICA: THRIVING IN A WORLD OF CHALLENGE AND CHANGE. Council on Competitiveness.

December 15, 2004.

[Note: The Council on Competitiveness is a non-profit organization led by corporate executives, university presidents and labor leaders. Its aim is foster economic growth and rising standards of living.]

In calling for a new National Innovation Initiative (NII), the Council on Competitiveness draws on U.S. history to challenge the nation to new levels of innovation, across all sectors - business, government, labor and academia. The main question posed by the report's authors is "whether the United States will continue its historic and unique role as a leader among nations, exporting the vision and tools of hope and the power of innovation. America must champion and lead a new era of openness and competition fueled by agility and constant motion, and enabled by lifelong learning, technological prowess and the infinite creativity of the innovation process itself." An innovation economy that drives economic growth and job creation will be fueled by new ideas. The authors argue that while the U.S. must certainly retain and enhance its research at the frontiers, it must also improve the processes that evolve these ideas into better products, services and ultimately, solutions to pressing societal problems. This report makes recommendations in three key categories: talent, investment and infrastructure. In the talent section, the report urges an expansion of portable graduate fellowships, tax credits for continuous education, and immigration reform to continue to attract science and engineering expertise. Among new investment initiatives, the report calls for a boost of three percent in federal research and development budgets for "Innovation Acceleration" grants that invest in novel, high-risk and exploratory research. They also call for revamping existing infrastructure by creating advanced centers for production excellence and by transforming U.S. patent processes.

http://www.compete.org/pdf/NII_Final_Report.pdf [pdf format, 68 pages]

TRADE

■ U.S. INTERNATIONAL TRADE: DATA AND FORECASTS Dick K. Nanto and Thomas Lum Congressional Research Service. The Library of Congress Updated January 5, 2005

In 2003 the United States incurred a merchandise trade deficit of \$535.7 billion on a Census basis and \$549.4 billion on a balance-of-payments basis (BoP). A surplus in services trade of \$60 billion gave a deficit of \$489.3 billion on goods and services (BoP) for the year, 17% higher than 2002. Year-to-date (January-October 2004), the trade

deficit in goods and services, at \$500.5 billion, is 21% higher compared to the same period in 2003. Overall U.S. trade deficits reflect a shortage of savings in the domestic economy and a reliance on capital imports to finance that shortfall. Capital inflows support a stronger dollar, which, along with foreign trade barriers, can help make U.S. products relatively expensive in some overseas locations, thereby contributing to a trade deficit in goods. Outsourcing by U.S. companies also creates foreign competition for U.S.-made goods and services, although it tends to generate foreign demand for U.S.made components. Trade deficits are a concern for Congress because they may generate trade friction and pressures for the government to do more to open foreign markets, to shield U.S. producers from foreign competition, or to assist U.S. industries to become more competitive. As the deficit increases, the risk also rises of a precipitous drop in the value of the dollar and disruption in financial markets. The broadest measure of U.S. international economic transactions is the balance on current account. In addition to merchandise trade, it includes trade in services and unilateral transfers. In 2003, the current account deficit rose to \$549.4 billion from \$480.9 billion in 2002. After reaching a peak of \$160.7 billion in 1987, the current account deficit had fallen steadily through 1991, when it reached a surplus of \$3.8 billion, before turning into deficit again. The current account deficit is projected to rise to about \$565.8 billion in 2004. http://fpc.state.gov/documents/organization/41301.pdf [pdf format, 18 pages]

TRADE NEGOTIATIONS DURING THE 109TH CONGRESS lan F. Fergusson and Lenore M. Sek. Library of Congress. Congressional Research Service. January 19, 2005.

The United States is participating in several regional and bilateral trade negotiations. Agreements were concluded and became effective during the 108th Congress with Australia, Chile, Morocco, and Singapore. Agreements have been signed with the five countries of the Central American Common Market (CACM) and the Dominican Republic, and with Bahrain. Negotiations are underway with the Southern African Customs Union (SACU), Panama, and Thailand. Talks with the Andean nations of Colombia, Peru, and Ecuador began in May 2004. Negotiations are expected to begin with the United Arab Emirates and Oman early in 2005. Several other trade initiatives are under discussion, including a U.S.-Middle East FTA and an FTA with countries in Southeast Asia. An ongoing regional initiative is the Free Trade Area of the Americas (FTAA). In April 1998, 34 Western Hemisphere nations formally initiated negotiations on tariffs and non-tariff trade barriers in the hemisphere. Negotiators have released drafts of an agreement-in-progress. Trade ministers met in Miami in November 2003 and announced a blueprint for negotiations, but the talks have now stalled. The broadest trade initiative now being negotiated is the multilateral trade negotiations in the World Trade Organization (WTO). In November 2001, trade ministers from 142 WTO member countries agreed to launch a new round of trade talks covering market access, WTO institutional rules, and developing-country issues. A framework agreement on future negotiations was concluded in Geneva on August 1, 2004, but a new deadline has not been set for the completion of the talks.

http://fpc.state.gov/documents/organization/42443.pdf [pdf format, 19 pages]

2005 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIERS Office of the United States Trade Representative (USTR). March 30, 2005.

The 2005 National Trade Estimate Report on Foreign Trade Barriers (NTE) is the twentieth in an annual series that surveys significant foreign barriers to U.S. exports. The report provides, where feasible, quantitative estimates of the impact of these foreign practices on the value of U.S. exports. Information is also included on actions taken to eliminate barriers. The NTE covers 61 major trading partners in each region of the world and profiles policies restricting market access. The NTE includes successes, as well as some major ongoing problems, including the following:

- * The "epidemic levels" of counterfeiting and piracy in China, which cause serious economic harm to U.S. businesses in virtually every sector of the economy.
- * The reopening of Japan's market to U.S. beef and beef products after Japan banned imports when one imported cow infected with bovine spongiform encephalopathy (BSE, or "mad cow disease) was found in the United States in late 2003.
- * The imposition of a 20 percent tax by Mexico on beverages and syrups made with sweeteners other than cane sugar.

Full Report:

http://www.ustr.gov/assets/Document Library/Reports Publications/2005/2005 NTE Report/asset_upload_file383_7446.pdf [pdf format, 684 pages]

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http://www.ustr.gov/Document Library/Reports Publications/2005/2005 NTE Report/Section Index.html [Table of Contents, sections in pdf format, various pagings]

A FREE TRADE AREA OF THE AMERICAS: MAJOR POLICY ISSUES AND STATUS OF NEGOTIATIONS

J. F. Hornbeck

Foreign Affairs, Defense, and Trade Division. CRS Report for Congress Updated January 3, 2005

In 1994, 34 Western Hemisphere nations met at the first Summit of the Americas, envisioning a plan for completing a Free Trade Area of the Americas (FTAA) by January 1, 2005. Nine years later, the third draft text of the agreement was presented at the November 2003 Miami trade ministerial. The Ministerial Declaration, negotiated largely by the two co-chairs, Brazil and the United States, took the FTAA in a new direction, away from the comprehensive, single undertaking principle, toward a two-tier framework comprising a set of "common rights and obligations" for all countries, augmented by voluntary plurilateral arrangements with country benefits related to commitments. A

follow-up meeting in early 2004 in Puebla, Mexico was unable to clarify this concept, highlighting the deep differences that remained between the United States and Brazil. FTAA talks subsequently stalled and the original January 1, 2005 deadline was missed. In the meantime, both Brazil and the United States are pursuing subregional trade pacts that may further complicate the negotiation process. Talks between Brazil and the United States may resume in early 2005, but it is still unclear if significant progress can be made on the FTAA this year. This report will be updated.

http://fpc.state.gov/documents/organization/40851.pdf [pdf format, 6 pages]

FREE TRADE IN THE AMERICAS: GETTING THERE FROM HERE.

Carla A. Hills, Jaime Zabludovsky, Jeffrey J. Schott, Marcos Sawaya Jank and Zuleika Arashiro.

Inter-American Dialogue October 2004

The first paper in this report is Jeffrey J. Schott's "Whither the Free Trade Area of the Americas. He provides a cogent analysis of where the parties are, what they must do to achieve success, and when this could happen. He urges a big package of market access reforms. The second paper, "The Long and Winding Road to Hemispheric Integration: Ten Key Elements in Understanding the FTAA," was written by Jaime Zabludovsky. He provides a clear picture of the imbalance between the objectives of the United States and the Mercosur nations, outlines three possible outcomes, and explains the limitations of each. The final paper, "Free Trade in the Americas: Where Are We? Where Could We Be Headed?", was written by Marcos Sawaya Jank, with the assistance of Zuleika Arashiro. Jank and Arashiro describe three possible outcomes for the FTAA, pointing out the weaknesses that he perceives in each, and setting forth a way in which they believe the negotiations might be invigorated.

http://www.thedialogue.org/publications/program_reports/trade/ftaa_1004.pdf [pdf format, 42 pages]

THE DOMINICAN REPUBLIC-CENTRAL AMERICA-UNITED STATES FREE TRADE AGREEMENT (DR-CAFTA)

J. F. Hornbeck

Foreign Affairs, Defense, and Trade Division. Congressional Research Service. The Library of Congress Updated January 3, 2005

The DR-CAFTA was negotiated, in part, as a regional agreement in which all parties would be subject to the "the same set of obligations and commitments," but with each country defining its own separate schedules for market access on a bilateral basis. The DR-CAFTA is a comprehensive and reciprocal trade agreement, which distinguishes it from the unilateral preferential trade arrangement between the United States and these countries as part of the Caribbean Basin Initiative (CBI). It defines detailed rules that

would govern market access of goods, services trade, government procurement, intellectual property, investment, labor, and environment. Under the DR-CAFTA, more than 80% of U.S. consumer and industrial exports and over half of U.S. farm exports to Central America would become duty-free immediately. For the DR-CAFTA countries, 100% of non-textile and nonagricultural goods would enter the United States duty free immediately. Many goods would have tariffs phased out incrementally so that duty-free treatment is reached in 5, 10, 15, or 20 years from the time the agreement takes effect. Duty-free treatment would be delayed longest for the most sensitive products, and in some cases, the tariff reductions would not begin until 7 or 12 years into the agreement. To address asymmetrical development and transition issues, the DR-CAFTA specifies rules for transitional safeguards, tariff rate quotas (TRQs), and trade capacity building. http://fpc.state.gov/documents/organization/40852.pdf [pdf format, 39 pages]

CAFTA-DR BRIEFING BOOK.

Executive Office of the President. Office of the United States Trade Representative (USTR).

February 2005.

This site is an excellent source for fact sheets and other materials concerning the Central America - Dominican Republic Free Trade Agreement (CAFTA-DR). Most of the Policy Briefs are from the Office of the United States Trade Representative (USTR), but there are links to materials produced by the International Trade Administration (ITA) and other organizations. Included in the "Briefing Book" are the following sections: Full Text of the Agreement; Textos del CAFTA en Español; State-by-State Export Overview; Details on Agriculture Provisions in CAFTA; Details on Textile Provisions of the CAFTA; Strengthening Protections for Labor; CAFTA Is Jordan-Plus: Comparison of Labor Provisions of Recent FTAs; Labor Laws: What The ILO Says; Environmental "Firsts" in CAFTA; Ethanol in the CAFTA; CAFTA and Access to Medicines.

http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA-

<u>DR/Briefing Book/Section Index.html</u> [Table of Contents page, sections in pdf or html format, various pagings]

U.S.-CHINA TRADE: SUMMARY OF 2003 WORLD TRADE ORGANIZATION TRANSITIONAL REVIEW MECHANISM FOR CHINA.
United States Government Accountability Office (GAO).
January 25, 2005; Web-posted January 27, 2005.

China's 2001 accession to the World Trade Organization (WTO) raised expectations with Congress and the private sector about the prospects for China to reform its markets and allow greater access to foreign goods and services. As part of its long-term body of work related to China's membership in the WTO, GAO reported in October 2004 on how the U.S. Trade Representative (USTR) and the Departments of Commerce, State, and Agriculture were positioned to monitor and enforce China's compliance with its WTO

commitments in 2003. [See: http://www.gao.gov/new.items/d0553.pdf] In that report, GAO examined the ultilateral annual WTO review of China's progress, referred to as the Transitional Review Mechanism (TRM). GAO found that the TRM has ongoing limitations in its participation and its procedures, and made recommendations to improve related U.S. government activities. For this report GAO compiled information about WTO members' participation and about the particular implementation issues raised by the United States and other WTO members' during the TRM, using WTO documents. This information is organized into separate tables for each of the 16 WTO subsidiary bodies with a role in reviewing China's WTO commitments. Specifically, seven WTO members both submitted written questions and discussed issues verbally in some TRM meetings: the United States, the European Communities, Japan, Chinese Taipei, Australia, Canada, and Mexico. Four other members--Brazil, Korea, Norway, and Pakistan--only participated verbally during some meetings. The United States was the most active member in the 2003 TRM, participating one or both ways in 14 of the 16 subsidiary bodies; the exceptions were the Committees on Balance-of-Payments Restrictions and Rules of Origin.

http://www.gao.gov/new.items/d05209r.pdf [pdf format, 101 pages]

■ U.S.-CHINA TRADE, 1989-2003. IMPACT ON JOBS AND INDUSTRIES, NATIONALLY AND STATE-BY-STATE.

Robert E. Scott.

U.S.-China Economic and Security Review Commission. January 11, 2005.

According to this study, the growing U.S. trade deficit with China has had an increasingly negative impact on the U.S. economy, causing job losses that affect every state and reach into the most technologically advanced industries in the manufacturing sector. The report, prepared by Robert Scott of the Economic Policy Institute (EPI), contends that the 1.5 million lost job opportunities over the course of 14 years were distributed throughout all 50 states and the District of Columbia, with employment losses of roughly 1.5% to 2.5% in the hardest-hit states. California experienced the greatest impact, losing 211,045 jobs - or some 1.46% of the state's total workforce - during the period covered by the report, followed by Texas (106,262); New York (87,037); Illinois (74,070); Pennsylvania (73,612); Florida (65,733); North Carolina (65,279); Ohio (61,914); Michigan (54,313); and Georgia (49,589). Using a methodology that determines the number of jobs needed to produce exports and imports, the research for this study found that 1.5 million jobs were lost to lower-wage Chinese competition in the 14-year period between 1989 and 2003. During that time, the report states that the U.S. trade deficit with China rose twenty-fold, from \$6.2 billion to \$124 billion. The U.S. trade deficit in Advanced Technology Products (ATP) with China is now \$32 billion, an amount equal to the total U.S. ATP deficit.

http://www.uscc.gov/researchpapers/2005/050107 epi wp rscott.pdf [pdf format, 53 pages]

FOREIGN ASSISTANCE: U.S. TRADE CAPACITY BUILDING EXTENSIVE, BUT ITS EFFECTIVENESS HAS YET TO BE EVALUATED. United States Government Accountability Office (GAO). February 11, 2005.

U.S. trade capacity building is primarily a collection of existing trade and development activities placed under the umbrella of trade capacity building. The U.S. government initiated an annual government-wide survey in 2001 to identify U.S. trade capacity building efforts, which it defined as "assistance meant to help countries become aware of and accede to the World Trade Organization (WTO); implement WTO agreements; and build the physical, human, and institutional capacity to benefit from trade." agencies self-reported that they had provided almost \$2.9 billion in trade capacity building assistance to over 100 countries from fiscal years 2001 through 2004. The Agency for International Development (USAID) reported providing about 71 percent of the trade capacity building funding. Agencies are coordinating their assistance through the trade capacity building interagency group formed in 2002 to help countries negotiate and implement U.S. free trade agreements. GAO found that most of the U.S. agencies reviewed are not systematically measuring the results of their trade capacity building assistance or evaluating its effectiveness. Although some agencies have set program goals for building trade capacity, they have not generally developed performance indicators, compiled data, or analyzed the results in terms of building trade capacity. USAID's March 2003 strategy for building trade capacity includes a limited number of performance indicators. USAID officials have stated that developing such indicators is difficult but have begun work independently and with other international donors toward that end. Without a strategy for evaluating the effectiveness of its trade capacity building assistance, the United States cannot identify what works and what does not work to ensure the reasonable use of resources for these efforts.

http://www.gao.gov/new.items/d05150.pdf [pdf format, 65 pages]

ENERGY

■ ENERGY POLICY: LEGISLATIVE PROPOSALS IN THE 109TH CONGRESS Robert L. Bamberger & Carl E. Behrens Resources, Science, and Industry Division. Congressional Research Service. The Library of Congress Updated April 1, 2005

Proposals to separate less controversial provisions from the comprehensive legislation were resisted by the House and Senate leadership during the 108th Congress. They argued that the conference version of H.R. 6 had been crafted as a careful balance of competing visions; breakup would leave more controversial provisions without leverage

for compromise. High crude oil and petroleum product prices are often the lever that spurs policymakers to seek legislative initiatives to increase the supply of conventional fuels. However, the debate touches upon many other issues, including finding ways to promote the development and use of alternative and renewable fuels, to achieve improvements in efficiency of energy consumption, to assure greater reliability in the electric utility sector, and to review existing and possible new incentives in the tax system to promote change in how the nation uses energy. These and other issues will likely be addressed in any comprehensive legislation considered by the 109th Congress. http://fpc.state.gov/documents/organization/44537.pdf [pdf format, 15 pages]

■ ENDING THE ENERGY STALEMATE: A BIPARTISAN STRATEGY TO MEET AMERICA'S ENERGY CHALLENGES.

National Commission on Energy Policy (NCEP) December 2004.

The National Commission on Energy Policy, prompted by 9/ 11, the California energy crisis, and rising global energy expenditures, was formed early in 2002 by independent foundations to address growing concerns about energy resources. Among the commission members are former EPA administrator William Reilly, United Steel Workers president Leo Gerard, Sharon Nelson of the Consumers Union, Ford Motor Company vice president Martin Zimmerman, former CIA chief James Woolsey, and Ralph Cavanaugh of the Natural Resources Defense Council. This report addresses the main aspects of a comprehensive national energy policy: steady supply of resources, national security, environmental impact, and diplomacy. Among the numerous recommendations in the report are the following:

- * Increase and diversify world oil production and expand global network of strategic petroleum reserves.
- * Reform and significantly strengthen vehicle efficiency standards.
- * Provide \$3 billion over ten years in manufacturer and consumer incentives for domestic production and purchase of efficient hybrid-electric and advanced diesel vehicles.
- * Establish a mandatory, economy-wide tradable-permits program to limit greenhouse gas emissions while capping initial costs at \$7 per metric ton of CO2-equivalent reduction.
- * Construct an Alaska natural gas pipeline.
- * Increase clean-coal initiatives.
- * Support efforts by the Federal Energy Regulatory Commission (FERC) to address the need for better integration of intermittent renewable resources (such as wind and solar power) into the interstate grid system.

Full Report:

http://www.energycommission.org/ewebeditpro/items/O82F4682.pdf [pdf format, 148 pages]

Summary of Recommendations:

http://64.70.252.93/O82F4692.pdf [pdf format, 24 pages]

NORTH AMERICAN NATURAL GAS VISION. North American Energy Working Group (NAEWG). February 25, 2005

[Note: The North American Energy Working Group (NAEWG) is a group of senior energy officials from Canada, Mexico and the United States who work together to foster communication and cooperation among the governments and energy sectors of the three North American countries on energy-related matters of common interest, and to enhance North American energy trade and interconnections, consistent with the goal of sustainable development, for the benefit of all; respecting the domestic policies, divisions of jurisdictional authority and existing trade obligations of each country.]

North America is one of the world's most important regions for energy-- producing about one-fourth of global energy supply and consuming about 30 percent of the world's commercial energy. National markets have grown over the years in both magnitude and complexity. Today, North America must concern itself with a range of energy issues, including energy resources, reserves, technologies, infrastructure, trade and investment/financing, laws, regulations, the environment, employment energy security, and other factors affecting the energy market. This report contains three sections: a summary of key findings; a review of the sector from 1990 to 2003; and a forecast on market supply, demand, prices, and trade out to the year 2012. The report also includes comments on issues beyond 2012. It examines the increasingly important role of natural gas in the energy sectors of the three countries and will serve as an important reference document for governments, businesses and the general public. The report is the culmination of two years' work by the NAEWG's Natural Gas Experts Group, which reviewed various measures North America can take to achieve its goals for natural gas. English-language:

http://www.pi.energy.gov/pdf/library/NAEWGGasVision2005.pdf [pdf format, 119 pages] or: http://www2.nrcan.gc.ca/es/es/naewg/pdf/NAEWG%20Gas%20Vision%202005.pdf Spanish-language:

http://www.energia.gob.mx/work/appsite/publicaciones/ng.pdf [pdf format, 127 pages]